

The California Regional Bulletin

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This edition addresses the economy and overtime in the United States

2004 will be a “very good year” according to Mark Zandi, the chief economist at Economy.com who also said the economy is “off and running.” The national economy closes 2003 enjoying broad-based strength, thanks in part to big tax cuts and low interest rates. On the down side, some analysts are afraid we will continue to see slower improvement in unemployment than in other economic indicators as businesses continue to concentrate on boosting productivity so they can expand output without hiring new workers. David Wyss, chief economist at Standard & Poor's in New York, predicted that Gross Domestic Product (GDP) growth would reach 4.7 percent next year. Such growth would be the biggest seen during an election year since 1984 when Ronald Reagan ran for his second term. Wyss and other forecasters believe the Federal Reserve will keep interest rates low most of the year despite stronger growth because inflation will continue to be a no-show. Many expect that the Federal Reserve Bank will resist increasing rates after November's presidential election. Sung Won Sohn, the Chief Economist at Wells Fargo Bank predicts that economic growth should exceed 3.5 percent in 2004. He also sees interest rates remaining low for much of the year while predicting that the national unemployment rate will dip modestly from the current 5.6 to 5.2 percent by the end of the year. Factors contributing to growth will include continued consumer spending which should receive a boost from tax refunds early in the year. There will also be continued federal spending in the war against terrorism, but the national debt will also reach a record \$500 billion during 2004.

Overtime is climbing at many companies as the economy picks up. Increased overtime is another indicator of how companies are searching for higher productivity while striving to limit their exposure to economic slowdowns. More overtime often stems from increased demands for a company's products or services. Companies used to hire more employees to meet production or delivery demands, but as 2003 heads into the New Year, many companies remain cautious about hiring and use overtime to take up much of the slack, according to Kris Maher in The Wall Street Journal. Earlier this month, the Bureau of Labor Statistics announced that [average weekly overtime for manufacturing production workers](#) climbed to 4.6 hours per week (preliminary), up from 4.2 hours in August and 3.9 hours last July. In the late 1990s, overtime averages reached up to 5.7 hours week in December 1997 when employers had trouble recruiting qualified workers, but they fell back to 3.5 hours by April 2001. In November, the economy added 57,000 jobs, but that was only about one-third of what many economists expected. "Many analysts took the increase in November overtime hours to imply that companies are stretching the workers they have," says Jared Bernstein, a senior economist at the Economic Policy Institute, a Washington think tank. "The question is, how far can the current work force be stretched without adding new hires? His answer: “Not much further.”

Weekly work hours continue to climb and a new study by the New York-based [Families and Work Institute](#) revealed that combined weekly work hours for dual-earning couples with children rose 10 hours per week, from 81 hours in 1977 to 91 hours in 2002, leaving parents with 1.5 hours less to spend on themselves every workday while they complain about increased interference from work in their home life. U.S. workers put in an average of 1,815 hours in 2002. In major European economies, hours worked ranged from about 1,300 to 1,800, according to the International Labor Organization (ILO). Hours were about the same in the USA as in Japan.

In California, overtime is also on the rise as average weekly overtime hours for production workers in manufacturing hit or exceeded 4.0 hours for each of the last four months. This marks the first time since the State's manufacturing job count hit its peak in December 2000 that manufacturing has recorded at least 4.0 hours of overtime for three or more consecutive months. It also marks the first time since late in 2000 that a generally increasing manufacturing job total has spanned several months. You can find the California data on the Internet on the LMID website at: <http://www.calmis.ca.gov/file/indh&e/FIG12.htm>.

"People are putting in 40 and 50 hours a week, and there's not enough time to do anything," says Gretchen Burger in Seattle, an organizer with Take Back Your Time, a grass-roots movement aimed at focusing attention on the issue of overwork. "There is an alternative." A backlash against overtime is growing in Philadelphia, Boston, Seattle and other cities that held events last fall to mark the first Take Back Your Time Day. Organizers want to establish October 24 as an annual day to draw attention to the issue of overwork. Several jurisdictions, including Seattle, officially proclaimed October 24 as Take Back Your Time Day. Efforts to ease the leisure-time shortage are also catching the attention of politicians. The U.S. Senate passed a resolution designating October as National Work and Family Month, putting the Take Back Your Time movement onto the national stage. Some workers, unwilling to clock extra hours without extra pay, are suing their companies over alleged overtime violations. In fiscal 2003, the Labor Department collected \$212 million in back wages, which included overtime violations, a 21 percent increase over the record-setting amount collected in 2002. Some economists also believe that many productivity gains of the '90s can be attributed to longer work hours rather than the efficiency of new technology. For the first time, industries that have been notorious for their taxing schedules are scaling back. New guidelines limit the number of hours that medical residents can work and federal regulations will require many truck drivers to set aside more time for breaks starting next week. For more on this subject, you can read Stephanie Armour's entire article at: http://www.usatoday.com/money/workplace/2003-12-16-hours-cover_x.htm.

The Labor Market Information Division, part of California's Employment Development Department (EDD), produces this Bulletin. For more information about this Bulletin or other EDD services, contact your nearest Labor Market Consultant at: <http://www.calmis.ca.gov/file/resource/analyst.htm>